

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 IO-13 OIC-02 AF-10 ARA-10
EA-10 EUR-12 NEA-10 JUSE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /168 W
-----070555 271512Z /43

P 271448Z APR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 8938
INFO AMEMBASSY TOKYO

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USMTN
ACTION STR PASS ELECTRICALLY
STR PASS CODEL

E.O. 11652:N/A
TAGS: MTN, ETRD, JA
SUBJECT: U.S. ANALYSIS OF JAPANESE REQUEST LIST FOR
IMPROVEMENTS IN U.S. TARIFF OFFER

REF: GENEVA 6185

1. IN PREPARATION FOR THE BILATERAL MEETING WITH JAPAN
ON APRIL 26, WE HAVE UNDERTAKEN THE FOLLOWING ANALYSIS,
WHICH WASHINGTON AGENCIES MAY FIND USEFUL.

2. THE JAPANESE REQUEST LIST ESSENTIALLY ASKS THE U.S.
TO MATCH JAPANESE TARIFF OFFERS ON ABOUT 1,500 FIVE AND
SEVEN DIGIT TARIFF ITEMS. THE JAPANESE DID NOT CONSIDER
TRADE ACT CONSTRAINTS SINCE THE BULK OF THE REQUESTED
RATES OF DUTY EXTENDS WELL BEYOND THE 60 PERCENT LEGAL
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LIMITATION. THE JAPANESE HAVE STATED THAT THEY EXPECT
THE UNITED STATES TO SEEK ADDITIONAL IMPLEMENTING LEGIS-
LATION IN THOSE CASES; THE U.S. RESPONSE WAS QUICK AND
EMPHATIC "IMPOSSIBLE". THE JAPANESE ALSO RESPONDED THAT
ALTHOUGH THE REQUESTED RATES EXCEED U.S. AUTHORITY, IT
SHOULD BE ANALYZED AS AN INDICATIVE LIST.

3. ABOUT ONE-QUARTER OF THE LINE ITEMS ON THE LIST REPRESENTS REQUESTS THAT THE UNITED STATES CANNOT CONSIDER (1) BECAUSE THE ITEM IS MANDATORILY EXCEPTED, (2) BECAUSE THE MAXIMUM REDUCTION HAS ALREADY BEEN OFFERED, OR (3) BECAUSE NO OFFER HAS BEEN MADE AS YET (E.G., CERAMIC DINNERWARE). THE JAPANESE ARE FULLY AWARE THAT THE UNITED STATES CANNOT MAKE OFFERS ON ITEMS THAT HAVE BEEN GRANTED IMPORT RELIEF SUCH AS SPECIALITY STEEL AND BALL BEARINGS, OF WHICH JAPAN IS A PRINCIPAL SUPPLIER. THE JAPANESE ALSO REALIZE THAT THE TRADE ACT LIMITS TARIFF REDUCTIONS TO 60 PERCENT FOR RATES OVER 5 PERCENT AD VALOREM. FOR THE MOST PART, THOSE REQUESTS FOR FURTHER REDUCTIONS ON ITEMS ALREADY OFFERED AT THE MAXIMUM REDUCTION REFLECT THE JAPANESE DESIRE THAT THE U.S. MATCH JAPANESE OFFER RATES ON A PRODUCT BASIS, SOME OF WHICH HAVE ALREADY RECEIVED THE MAXIMUM REDUCTION. THE JAPANESE ALSO REQUESTED THAT THE UNITED STATES MATCH JAPANESE TARIFF OFFERS ON THE ITEMS THAT ARE TO BE SPECIFIED LATER, E.G., ASP ITEMS, CERAMIC DINNERWARE, METAL FASTENERS, STAINLESS STEEL FLATWARE. FOR THESE ITEMS, JAPAN IS A PRINCIPAL SUPPLIER (\$405 MILLION IN 1976).

4. THE REMAINING THREE-QUARTERS OF THE JAPANESE REQUEST LIST INCLUDES ITEMS WHERE THE UNITED STATES HAS SOME NEGOTIATING AUTHORITY: FULL ECONOMIC EXCEPTIONS, PARTIAL LIMITED OFFICIAL USE

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EXCEPTIONS, AND FORMULA CUTS THAT DO NOT EXCEED TRADE ACT AUTHORITY.

- (A) ECONOMIC EXCEPTIONS (FULL): THE JAPANESE REQUESTED THAT TARIFF REDUCTIONS BE MADE ON THE FULL ECONOMIC EXCEPTIONS ON CERTAIN GLASS MIRRORS, TITANIUM, BALL BEARINGS, CAPACITORS AND RESISTORS AND TV PICTURE TUBES, FOR ALL OF WHICH IT IS THE PRINCIPAL SUPPLIER. JAPAN ALSO REQUESTED REDUCTIONS ON ITEMS ECONOMICALLY EXCEPTED OF WHICH IT IS A MINOR SUPPLIER SUCH AS TIE FABRICS, FELTS, CERTAIN APPAREL ITEMS, UNWROUGHT ZINC, FOOTWEAR, LUGGAGE, BICYCLES AND GLASSWARE. GIVEN THE SENSITIVITY OF THESE INDUSTRIES, FURTHER REDUCTIONS WOULD BE DIFFICULT TO ACHIEVE.

- (B) PARTIAL EXCEPTIONS: TEXTILES CONSTITUTE THE BULK OF THE JAPANESE REQUEST ITEMS IN THIS AREA (TEXTILE LINE ITEMS ACCOUNT FOR 78 PERCENT OF THE TOTAL JAPANESE REQUEST LIST). WOVEN COTTON FABRICS ACCOUNT FOR 700 OF THE REQUESTS WITH TOTAL U.S. IMPORTS AMOUNTING TO \$334 MILLION. JAPAN WAS FOURTH SUPPLIER AT \$25 MILLION. THE OTHER REQUESTS FOR DEEPER CUTS ON THE PARTIAL EXCEPTIONS

ARE FOR CERTAIN WEARING APPAREL, HAND TOOLS, AUTOMOBILE
RADIOS, BICYCLE PARTS AND ACCESSORIES, TAXIMETERS, CON-
VENTIONAL WATCHES AND PARTS, GUITARS, DOLLS AND SLIDE
FASTENERS. EVEN HERE, FURTHER REDUCTIONS ARE DIFFICULT
ALTHOUGH NOT IMPOSSIBLE TO ACHIEVE GIVEN THE OBVIOUS
SENSITIVITY OF THESE INDUSTRIES.

- (C) THE LAST GROUP OF ITEMS ARE THOSE THAT RECEIVED
FORMULA CUTS BELOW THE 60 PERCENT MAXIMUM REDUCTION
PERMITTED IN THE TRADE ACT. IMPROVEMENT OF THE U.S.
OFFER FOR THIS GROUP IS LESS DIFFICULT AND JAPAN IS
A PRINCIPAL SUPPLIER OF ALMOST ALL OF THE ITEMS IT
REQUESTED, PARTICULARLY MANMADE FIBER GROUPED FILAMENTS,
NONWOVEN FABRICS, BONE CHINAWARE, ELECTRIC MOTORS, PIPE
AND TUBE FITTINGS, MEASURING AND CONTROLLING INSTRUMENTS,
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ACTION STR PASS ELECTRICALLY

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MUSICAL INSTRUMENTS AND SPORTS EQUIPMENT. TRUCKS, IN

THIS CATEGORY, ARE OF COURSE A SPECIAL CASE (CHICKEN WAR).

5. DRAFTED BY CASSIDY. CULBERT

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